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HOUSE RESOLUTION

WHEREAS, Small business growth is at the heart of any economic recovery as most new jobs are created by small businesses; and

WHEREAS, Minority-owned and women-owned small businesses (M/WBEs) are particularly important drivers of job growth for African-Americans and Latinos who experience disproportionately high unemployment rates; and

WHEREAS, It has long been a strategic objective of the State of Illinois to support the development of minority-owned and women-owned businesses through the M/WBE programs for State procurement, particularly in construction; and

WHEREAS, During the recent credit crunch, one of the single largest barriers to growth for women-owned and minority-owned construction businesses has been bonding requirements and the very stringent financial terms imposed upon M/WBE businesses by the bonding companies; and

WHEREAS, It is not uncommon for a bonding company to require a construction company to deposit half the amount of the total value of a construction contract in an escrow account in order for the bonding company to sell to the construction

1 company a performance bond for the project; and

2 WHEREAS, As M/WBE construction firms tend not to be heavily
3 capitalized, the rates charged to the M/WBE firms by the
4 bonding companies tend to be far higher than the rates charged
5 to large legacy firms; and

6 WHEREAS, The purpose of a bond requirement is to
7 financially reimburse the State in the event of default by the
8 construction company, not to suppress competition or enrich
9 bond companies; and

10 WHEREAS, There may be more efficient alternative methods to
11 protect the State from any financial loss in the event of lack
12 of performance by M/WBE firms on a construction project; and

13 WHEREAS, The members of the Federation of Women Contractors
14 believe that the current state of the bond market and the bond
15 requirements are among very significant impediments to growth;
16 therefore, be it

17 RESOLVED, BY THE HOUSE OF REPRESENTATIVES OF THE
18 NINETY-SEVENTH GENERAL ASSEMBLY OF THE STATE OF ILLINOIS, that
19 the Department of Commerce and Economic Opportunity consider
20 whether a surety program successfully administered years ago be
21 resurrected in order to provide a financial guarantee to

1 bonding companies for projects conducted by M/WBE firms in
2 order to lower the costs to M/WBE firms and increase their
3 access to capital; and be it further

4 RESOLVED, That the Department of Insurance, which
5 regulates bond issuing companies, consider how it can help
6 identify and encourage bond companies to participate in a
7 program for M/WBE construction firms; and be it further

8 RESOLVED, That the Department of Transportation and the
9 Capital Development Board review their bonding requirements
10 for M/WBE participants in light of the actual number of
11 defaults by M/WBE companies over the last 5 years to determine
12 whether the bonding requirements are more stringent than
13 necessary to protect against risk; and be it further

14 RESOLVED, That the Department of Commerce and Economic
15 Opportunity, the Department of Insurance, the Department of
16 Transportation, and the Capital Development Board report to the
17 General Assembly with recommendations to reform bonding
18 requirements for M/WBE firms in public construction projects by
19 January 15, 2012.